

# The State of Texas



## Austin, Texas

PAID-UP  
OIL AND GAS LEASE NO. (109122)  
GENERAL LAND OFFICE  
AUSTIN, TEXAS

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board and DDJET Limited LLP , whose address is 1203 Lake Street, Suite 220, Ft. Worth, TX 76102 hereinafter called "Lessee".

1. Lessor, in consideration of **Nine Thousand Six Hundred 00/100 (\$9,600.00)** receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of **Tarrant** State of Texas, and is described as follows:

**1.2 acres** of land, more or less, known as, situated in said **Tarrant** County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof together with a plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain **1.2 acres**, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. **PRIMARY TERM:** This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of **two years, from July 1st, 2008** hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. **ROYALTIES:** As royalty Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal 1/4 part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such 1/4 part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casing head gas produced from said land (1) when sold by lessee 1/4 of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of 1/4 of such gas and casing head gas.

(c) If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred.

(d) Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee.

(e) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of \$ 5,000.00. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

(f) All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager, or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, the Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

4. POOLING: (a) Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons. Units pooled for oil hereunder shall not exceed 160 acres each in area, and units pooled for gas hereunder shall not exceed in area 640 acres each plus a tolerance often percent (10%) thereof, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within

the unit, which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, as operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) the proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force for so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

(b) Neither unit production of oil or gas, nor unit operations, nor payment of shut-in royalties from a unit gas well, shall serve to hold the lease in force as to any area outside the unit, regardless of whether the production, maintenance of a shut-in gas well, or operations are actually located on the State tract or not.

(c) Lessee agrees to file with the General Land Office a copy of any unit designation, which this lease is included within ninety (90) days of such designation.

5. RELEASE: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the prescribed filing fee. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

6. REWORK: If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate at the end of the primary term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) Lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 9 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or production of oil or gas in paying quantities.

7. MINERAL USE: Lessee shall have the use, free from royalty, of oil and gas produced from said land in all operations hereunder.

8. NOTICE: In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all

or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations.

9. FORCE MAJEURE: If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

10. LESSER ESTATE CLAUSE: If this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessors interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease bears to the whole and undivided fee simple estate therein.

11. ASSIGNMENTS: This lease may be transferred at any time. All transfers must reference the lease by file number and must be recorded in the county where the land covered hereby is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the prescribed filing fee. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original Lessee or any prior transferee of the lease, including any liabilities to the State for unpaid royalties.

12. WELL INFORMATION: Lessee agrees to forthwith furnish Lessor, upon written request, with copies of all drilling logs, electrical logs, cores and core records and other information pertaining to all wells drilled by lessee either on the leased premises or acreage pooled therewith, when requested to do so. Said information shall remain confidential as required by statute.

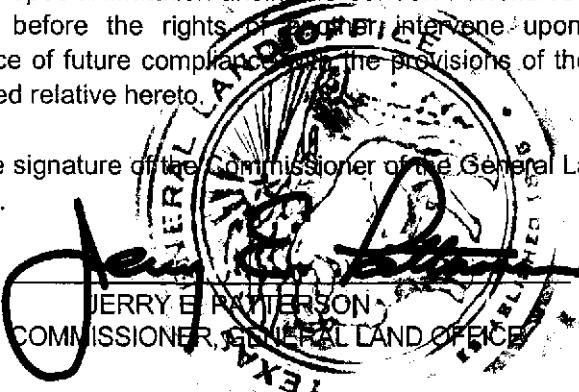
13. SURFACE: Notwithstanding anything herein to the contrary, it is agreed that Lessee will not conduct any exploration or drilling on the surface of the leased premises or use the surface in the exercise of any rights herein granted. Any development of said land shall be by means of a directional well located off the leased premises, or by pooling of said land with other land, lease or leases as hereinabove provided.

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 2,500 feet of the leased premises and completed in a producible reservoir underlying the area leased hereunder or in any case in which drainage is occurring. Such compensatory royalty shall be paid at the royalty rate provided in this lease based on the value of production from the well as provided in the lease on which such well is located. The compensatory royalty shall be paid in the same proportion that the acreage of this lease has to the acreage of the proration unit surrounding the draining well plus the acreage of this lease. The compensatory royalty shall be paid monthly to the Commissioner of the General Land Office on or before the last day of the month after the month in which the oil or gas is sold and delivered from the well.

causing the drainage or from the well located within 2500 feet of the leased premises and completed in a producible reservoir under this lease. Notwithstanding anything herein to the contrary, compensatory royalty payable hereunder shall be no less than an amount equal to **double the shut-in royalty** and shall maintain this lease in effect for so long as such payments are made as provided herein.

15. **FORFEITURE:** If Lessee shall fail or refuse to make payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if this lease is pooled or assigned and the unit designation or assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease. However, nothing herein shall be construed as waiving the automatic termination of this lease by operations of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights there under reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.



Approved:

ML: DR

DC: CJA

CC: B

**FIELD NOTES**

**Proposed Public School Land Lease Tract 1**

**Davis Boulevard ROW**

**(FM Highway No. 1938)**

**Stephen Richardson Survey**

**Abstract No. 1266**

**City of North Richland Hills**

**Tarrant County**

**Texas**

All that certain tract or parcel of land lying and being situated in the Stephen Richardson Survey, Abstract No. 1266, City of North Richland Hills, Tarrant County, Texas, and being a portion of that certain tract of land conveyed to Tarrant County, according to the deed filed of record in Volume 3021, Page 551, Deed Records of Tarrant County, Texas, together with a portion of the adjoining prescriptive right-of-way of Davis Boulevard (FM Highway No. 1938), and being more particularly described by metes and bounds as follows:

**BEGINNING** at a point in the northwest line of Davis Boulevard (FM Highway No. 1938), the most southerly corner of said Tarrant County tract, and being in the southeast line of Lot 1, Block 1, The Villas on Bear Creek, according to the plat filed of record in Cabinet A, Slide 5059, Plat Records of Tarrant County, Texas, for the most westerly corner of this tract, from which a 1/2" iron rod found bears South 40 degrees 27 minutes 16 seconds East, a distance of 0.46 feet, and from which an "x" in concrete found bears South 42 degrees 27 minutes 38 seconds West, a distance of 100.25 feet, said beginning point being the beginning of a curve to the right;

**THENCE** along the northwest line of said Tarrant County tract, partially along the northwest line of said Davis Boulevard, along the southeast line of said Lot 1, Block 1, at an arc distance of 167.45 feet pass a corner of said Lot 1, Block 1, being the most southerly corner of that certain tract of land conveyed to the State of Texas, according to the deed filed of record in Volume 11507, Page 2219, Deed Records of Tarrant County, Texas, continuing along the southeast line of said State of Texas tract, at an arc distance of 384.68 feet pass the most easterly corner of said State of Texas tract, being the southeast corner of that certain tract of land conveyed to First Texas Council of Camp Fire, Inc., according to the deed filed of record in Volume 9097, Page 1039, Deed Records of Tarrant County, Texas, continuing along the southeast line of said First Texas Council of Camp Fire, Inc. tract, and along said curve whose radius is 1969.86 feet, and whose central angle is 11 degrees 54 minutes 48 seconds, and whose long chord bears North 38 degrees 59 minutes 53 seconds East, a distance of 408.85 feet, in all an arc distance of 409.59 feet to a point for a corner of this tract, from which a concrete monument found at the northeast corner of said Lot 1, Block 1 bears South 69 degrees 18 minutes 26 seconds West, a distance of 30.69 feet;

**THENCE** North 44 degrees 57 minutes 16 seconds East, along the northwest line of said Davis Boulevard, and along the northwest line of said Tarrant County tract, and along the southeast line of said First Texas Council of Camp Fire, Inc. tract, at a distance of 333.95 feet pass the northeast corner of said First Texas Council of Camp Fire, Inc. tract, and continuing along the southeast line of the remainder of that

certain tract of land conveyed to W.V. McClure et ux., according to the deed filed of record in Volume 4026, Page 344, Deed Records of Tarrant County, Texas, at a distance of 385.94 feet pass the southeast corner of that certain tract of land conveyed to B.H. & L. Joint Venture, according to the deed filed of record in Volume 7636, Page 40, Deed Records of Tarrant County, Texas, and continuing along the southeast line of said B.H. & L. Joint Venture tract, in all a distance of 513.88 feet to a point for the most northerly corner of this tract, from which a 5/8" iron rod found bears South 59 degrees 45 minutes 25 seconds East, a distance of 0.60 feet and a 1/2" iron rod found bears North 44 degrees 57 minutes 16 seconds East, a distance of 200.08 feet;

**THENCE** South 42 degrees 47 minutes 41 seconds East, a distance of 56.15 feet to a point in said Davis Boulevard, for the most easterly corner of this tract;

**THENCE** South 44 degrees 05 minutes 57 seconds West, with the general alignment of said Davis Boulevard, a distance of 918.04 feet to a point for the most southerly corner of this tract;

**THENCE** North 45 degrees 51 minutes 11 seconds West, a distance of 27.39 feet to the **Place of Beginning**, and containing 1.20 acres of land, more or less, in accordance with the plat of even date herewith, attached hereto, and made a part hereof.



**FIELD NOTES**  
**Proposed Public School Fund Lease Tract 2**  
**Davis Boulevard ROW**  
**(FM Highway No. 1938)**  
**Stephen Richardson Survey**  
**Abstract No. 1266**  
**Cit of North Richland Hills**  
**Tarrant County**  
**Texas**

All that certain tract or parcel of land lying and being situated in the Stephen Richardson Survey, Abstract No. 1266, City of North Richland Hills, Tarrant County, Texas, being a portion of that certain tract of land conveyed to Tarrant County, according to the Condemnation Suit No. 50609, filed of record in Docket 168, Page 55, Tarrant County Court at Law Records, Tarrant County, Texas, together with a portion of the adjoining prescriptive right-of-way of Davis Boulevard (FM Highway No. 1938), and being more particularly described by metes and bounds as follows:

**BEGINNING** at a point in the southeast line of Davis Boulevard (FM Highway No. 1938), being a corner of said Tarrant County tract, and being the north corner of Lot 1, Block 1, Northfield Park, an addition to the City of North Richland Hills, Tarrant County, Texas, according to the plat filed of record in Volume 388-200, Page 87, Plat Records of Tarrant County, Texas, for the most easterly corner of this tract, from which a 1/2" iron rod found at the southwest corner of that certain tract of land conveyed to Clyde W. Bolling, et ux., according to the deed filed of record in Volume 4042, Page 84, Deed Records of Tarrant County, Texas, bears South 00 degrees 05 minutes 20 seconds West, a distance of 746.97 feet;

**THENCE** South 44 degrees 57 minutes 16 seconds West, along the southeast line of said Davis Boulevard and along the southeast line of said Tarrant County tract, and along the northwest line of said Lot 1, Block 1, Northfield Park, a distance of 509.17 feet to a point at the beginning of a curve to the left;

**THENCE** along the southeast line of said Davis Boulevard and along the southeast line of said Tarrant County tract, along the northwest line of said Lot 1, Block 1, Northfield Park, and along said curve whose radius is 1849.86 feet, and whose central angle is 14 degrees 39 minutes 10 seconds, and whose long chord bears South 37 degrees 37 minutes 42 seconds West, a distance of 471.79 feet, an arc distance of 473.08 feet, to a point for the most southerly corner of this tract, from which a 1/2" iron rod found bears South 29 degrees 14 minutes 57 seconds West, a distance of 88.05 feet;

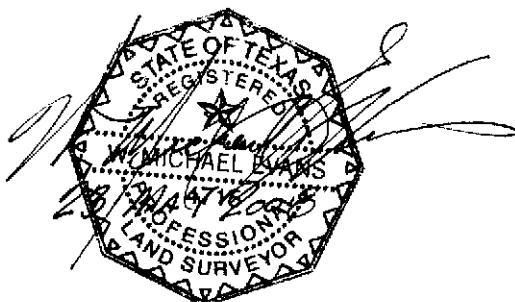
**THENCE** North 63 degrees 24 minutes 22 seconds West, a distance of 108.30 feet to a point in said Davis Boulevard for the most westerly corner of this tract;

**THENCE** North 39 degrees 26 minutes 33 seconds East, with the general alignment of said Davis Boulevard, a distance of 71.11 feet to a point a corner of this tract;

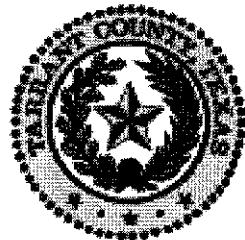
**THENCE** North 43 degrees 16 minutes 37 seconds East, with the general alignment of said Davis Boulevard, a distance of 25.03 feet to a point for a corner of this tract;

**THENCE** North 44 degrees 05 minutes 57 seconds East, with the general alignment of said Davis Boulevard, a distance of 918.04 feet to a point for the most northerly corner of this tract;

**THENCE** South 42 degrees 47 minutes 41 seconds East, a distance of 63.94 feet to the **Place of Beginning**, and containing 1.52 acres of land, more or less, in accordance with the plat of even date herewith, attached hereto, and made a part hereof.







HARDING COMPANY  
13465 MIDWAY RD #400

DALLAS TX 75244

Submitter: PETROCASA ENERGY-INC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 08/07/2008 08:19 AM  
Instrument #: D208307998  
QPR 11 PGS \$52.00

By: \_\_\_\_\_



**D208307998**

**ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.**

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